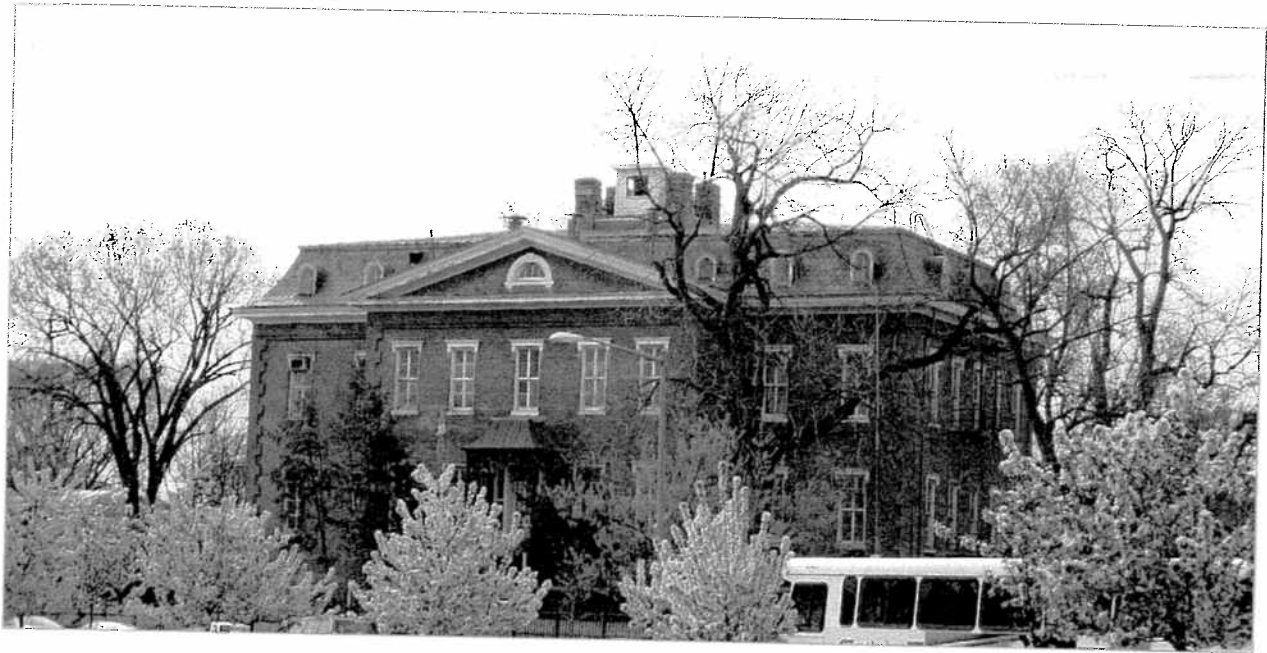


ULI Advisory Services Program

Old Naval Hospital Washington, D.C

A Strategy for Reuse



**ULI – The Urban Land Institute
Washington, D.C.**



ABOUT ULI—THE URBAN LAND INSTITUTE

ULI—the Urban Land Institute is a nonprofit research and education organization that promotes responsible leadership in the use of land in order to enhance the environment.

The Institute maintains a membership representing a broad spectrum of interests and sponsors a wide variety of educational programs and forums to encourage an open exchange of ideas and sharing of experience. ULI initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on this research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development.

Established in 1936, the Institute today has some 17,000 members and associates from 50 countries, representing the entire spectrum of the land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academicians, students, and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of America's most respected and widely quoted sources of objective information on urban planning, growth, and development.

This Advisory Services panel report is intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the field of urban land use.

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THE PANEL

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INTRODUCTION

The panel was asked to assist the Friends of the Old Naval Hospital in developing a strategy for the redevelopment of the Old Naval Hospital, a formidable building strategically located on Pennsylvania Avenue in the Capital Hill neighborhood of Washington, D.C. Founded in 2000, the Friends are local residents interested in conserving the now-vacant building in a manner that respects the history of the resource and provides the community with an asset of which they can be proud. The panel had two main tasks. The first was to evaluate potential reuse options for the building and recommend a sustainable reuse scenario. The second task was to recommend a process the community and the city could use to facilitate a viable redevelopment of the Old Naval Hospital

Background

The Old Naval Hospital was built in 1865 to serve Civil War forces on the Potomac. The building, located on Capitol Hill in Washington, D.C., was used as a naval hospital until 1911. It then became the Temporary Home for Veterans of All Wars, a private institution providing lodging for those pressing pension claims in Washington. Owned by the Federal government and leased to the District of Columbia since 1966, this local and national landmark is being demolished by neglect. In addition to the main building, the complex includes landscaped grounds, a detached carriage house that currently houses a D.C. government-sponsored social services facility, and an elaborate monumental cast iron perimeter fence.

The building sits on a triangular lot, between 9th and 10th streets, S.E., defined by Pennsylvania Avenue on the north. The building faces south, with an entrance on E Street, S.E., and is within the vicinity of the current Marine Barracks and the Washington Navy Yard. Designed to accommodate 50 patients, the hospital had good ventilation and running water supplied by the city, and was furnished with gas for lighting. After serving the naval personnel for four decades, the hospital moved to its newly constructed facility at Observatory Hill at 23rd and E streets, N.W., (now headquarters of the Bureau of Medicine and Surgery).

Council member Sharon Ambrose had proposed renovating the hospital as the mayor's official residence, but the plan was rejected for another location. The building has been used as an office for the Advisory Neighborhood Commission 6B office, which uses it no more than 20 hours a month.

The building is relatively small – 16,000 square feet excluding the carriage house – and will require significant efforts to bring it up to code, including compliance with the Americans with Disability Act. Minimal parking on the site and in the neighborhood are also potential limiting factors for the building's redevelopment.

Key Findings and Recommendations

The panel was impressed by the community's commitment and made several observations while on site and developed the following key recommendations.

- Raise the expectations for the building and the site. The Old Naval Hospital is not just a building that can be used for some community meetings from time to time but a city-wide asset that needs to be conserved and restored to use that respects its history. The Old Naval Hospital has the potential to be a "Hero Building" for the community and the city.
- Find out the answers to some very critical questions before moving to the RFP stage. Issues such as who holds title, what needs to be done to bring the building into code compliance, and who will manage the building need to be resolved before any redevelopment activity can be put out to bid.
- Continue the momentum and expand the support base. The panel was impressed with the work that the community has done to date, including raising the money for the panel and maintaining a high-level of interest in the site. This support needs to continue and grow for the project to be successful.
- Most importantly, **do it right!** There should be full recognition of the value of the property. The city and the ultimate developer need to avoid piecemealing the project and should establish a realistic financial approach.

However there are a few significant issues that will need to be addressed before the site is redeveloped.

- It was unclear to the panel what the community's and the city's goals are for reuse of the building. These goals and criteria will need to be clearly articulated as part of the reuse process.
- The building is physically hard to reuse, primarily because of parking requirements and life safety issues. There are only approximately 20 to 25 parking spaces on the site and there will be significant efforts needed to bring the building up to code (fire, access, etc.).
- It is unclear if the city will be able to provide any sort of subsidy for the redevelopment of the site. A variety of sources of financial capital need to be explored as options for redevelopment.

EVALUATING THE MARKET POTENTIAL

The panel evaluated several redevelopment scenarios for the site, including mixes of uses. The following discussion outlines some options for the site and provides a *preliminary* evaluation of four potential uses: three for profit ventures and one not-for-profit scenario.

The Starting Point: Expectation of Value

Before the market potential of the site can be evaluated, the expected value of the property was considered. At first glance the value of the site appears to be \$2.5 million to \$3 million, based on the land and its location. However, the value clearly depends on the anticipated use.

Three Illustrations of For-Profit Development Economics

The panel evaluated the financial feasibility of redeveloping the site for private office, condominiums, and rental apartments, as presented below. Several assumptions were made for all three options. These assumptions may not be realistic relative to financing, but are intended to illustrate various scenarios. These assumptions are:

- Useable square footage of the building is 16,000 square feet. This is primarily in the main building and the panel understands there is some useable area in the carriage house.
- Costs for redevelopment include hard costs (i.e., building materials) and soft costs (i.e., insurance, taxes).
- The land will be conveyed to the redeveloper with no cost. It is not clear that the city, which has authority over the property, would be willing to do this.
- There must be “motivated equity” for the project – entities willing to invest with the understanding that there will not be a significant profit, if any.
- Bond financing may be necessary to make the project feasible.
- The building must retrofitted to meet life safety, Americans with Disabilities Act, and building code requirements.

Develop design guidelines. A building such as the Old Naval Hospital needs to be redeveloped in such a way that its unique character is protected and enhanced. To accomplish this, design guidelines should be developed and then articulated in the RFP. The guidelines need to establish section 106 compliance and address the building exterior, grounds and fence, carriage house, and the core interior, especially so that code compliance and the Americans with Disabilities Act compliance are met.

Define the financial parameters. The city needs to determine the financial resources it is expecting the selected entity to commit to the project. This will assist perspective bidders in determining if they are able to complete the project as envisioned by the city.

Develop the review and approval process for RFP. Quality bidders will respond to the RFP if they know what to expect from the process. This includes an understanding of the formal review process (including time frames and reviewers) as well as community involvement in the selection.

Determine the public commitment. Prospective bidders need to have an understanding of the resources that the city is committing to the project, including financial resources, staff resources, and project management.

Develop a list of potential bidders. There has been interest in the project and there is a good beginning of a list of interested bidders. This list needs to be expanded by means such as advertising in relevant newsletters, trade publications, and magazines. The city should advertise widely.

Pre-test the RFP to promote interest. By inviting a group of potential bidders to review the RFP as if they were responding, feed back on clarity of the request and the format of the RFP can prove useful in finalizing the request.

- **Recognition of building history, interpretation, and activities.** The city and the community want an entity that will be able to capture the uniqueness of the Old Naval Hospital in its project. Their understanding of the building's history and place in the community should be conveyed in the proposal.
- **Appropriateness of proposed use(s) for building and neighborhood - including parking demand.** The proposal should reflect a use that not just uses the building as a shell, but also proposes a reuse that will fit the neighborhood and will bring users who are good neighbors. Parking in this neighborhood is an issue so the reuse should be able to accommodate any anticipated parking on site or within the confines of existing parking in the neighborhood.
- **Responder's qualifications, track record, and experience with historic restoration/rehab projects.** The proposers need to demonstrate that they have done similar projects successfully. This is like a reference section. The city and the community should not let someone experiment on the Old Naval Hospital.
- **Time frame, including project start and finish.** Just as the proposers should be able to anticipate the time frames for approvals, the city and community need to know how long it will be until the project will be completed. Time is of the essence for the community as well.
- **Proposed community communications strategy.** Community involvement is a key factor in this project. Quite frankly, it can make or break the project. The city needs to know how the developers will work with the community and keep them involved in the project.
- **Financial capability – including fundraising ability.** This will be a capital-intensive project and the proposers should submit proof of financial ability to complete the project as well as the ability to raise the funds to maintain the building once redevelopment is complete.

CONCLUSION

At first glance, the panel saw a building on a prime piece of real estate on a main thoroughfare in Washington, D.C. The fact that there was a historically-significant building on the site was a secondary consideration. As the panelists spent more time in the building and talking with the community, it came to realize that there is a hidden gem on Capitol Hill that can become not only an asset for the community but for Washington and the nation. The Old Naval Hospital is a Hero Building. Its history alone is unique and worth preserving. It deserves the proper redevelopment process to ensure that it is not only useful real estate but a resource for the whole city and its visitors. The process set out by the panel is designed to help the city and the community realize the site's full potential. The panelists all look forward to returning to see Pennsylvania Avenue's new great asset.

APPENDIX A

Panel Resource People

The following people met with the panel and shared their insights and views on the Old Naval Hospital and possible reuse options.

- Sharon Ambrose, Washington, D.C., Council Member
- Rita Bamberger, Holladay Corporation
- Scott Barkan, Washington, D.C., Office of the Deputy Mayor
- David Bell, BELLArchitects, P. C., and Washington, D.C., Preservation League
- Al Boswell, American Cultural Heritage Foundation and prospective user
- Chuck Burger, Councilmember Sharon Ambrose's office
- Scott Burr, Capitol Hill Association of Merchants and Professionals
- Stephen Callcott, Washington, D.C., Historic Preservation Office
- Judy Canning, Capitol Hill Arts Workshop and prospective user
- Nicky Cymrot, Capitol Hill Association of Merchants and Professional's Foundation
- Steve Cymrot, Capitol Hill Association of Merchants and Professional's Foundation
- Dan Daly, Friends of the Old Naval Hospital Events Director
- Don Denton, Pardoe/Coldwell Banker Real Estate
- Dan Donahue, Naval Medical Museum Foundation and prospective user
- Jill Dowling, Barracks Row Main Street
- Pam Dubois, Bolan and Smart
- Barbara Eck, Capitol Hill Restoration Society
- Mary Farrell, Eastern Market Preservation and Development Corporation
- Barbara Franco, Washington Historical Society
- John Frankenhoff, Washington, D.C., Department of Transportation
- Hal Gordon, Community Action Group and Carriage House tenant
- Donna Hanousek, Friends of the Old Naval Hospital board member
- Ken Jarboe, Advisory Neighborhood Commission
- Kitty Kaup, Stanton Development
- Karl K. Kindel, Friends of the Old Naval Hospital board member
- Alice Norris, Citizen
- Aimee Occhetti, Washington, D.C., Office of Property Management
- Ellen Oppen-Weiner, Eastern Market Citizen's Advisory Counsel
- Greg Richey, Friends of the Old Naval Hospital board member
- Karina Ricks, Washington, D.C., Office of Planning
- Larry E. Vote, St Mary's College and prospective user
- Jeffrey Watson, Capitol Hill Arts Workshop and prospective user
- Dick Wolf, Capitol Hill Restoration Society

